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LAI SUN DEVELOPMENT

Lai Sun Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 488)

CAPITAL REDUCTION

In relation to the Capital Reduction announced on 30 June 2006:

- (1) the special resolution to approve the same was duly passed by the Shareholders at the Extraordinary General Meeting held on 24 July 2006;
- (2) the High Court granted an Order confirming the Capital Reduction on 17 October 2006; and
- (3) application has been made to the Stock Exchange for the listing of, and permission to deal in, the New Shares.

The Order on Petition and Minute of Reduction will be registered with the Companies Registry pursuant to Section 61 of the Companies Ordinance before commencement of trading in the New Shares.

Trading in the New Shares will commence on Thursday, 19 October 2006. Certificates for the Shares may be exchanged, at the expense of the Company, for new certificates in respect of the New Shares between Thursday, 19 October 2006 and Wednesday, 15 November 2006 (both dates inclusive).

Reference is made to the announcement made by the Company on 30 June 2006 ("Announcement") and the circular of the Company dated 30 June 2006 ("Circular"). Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

THE CAPITAL REDUCTION

Further to the Announcement and the Circular, the Directors are pleased to announce that at the Extraordinary General Meeting held on 24 July 2006, the special resolution to approve the Capital Reduction was duly passed by the Shareholders.

The Petition for the confirmation of the Capital Reduction was heard by the High Court on 17 October 2006. At the hearing of the Petition, the High Court confirmed that the capital of the Company be cancelled to the extent of HK\$0.49 on each of its issued ordinary shares of HK\$0.50, and that the nominal value of all of the ordinary shares, both issued and unissued, be reduced from HK\$0.50 to HK\$0.01 per share.

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FREE EXCHANGE OF CERTIFICATES FOR NEW SHARES AND TRADING ARRANGEMENTS

Shareholders may submit existing certificates for the Shares in exchange for new certificates in respect of the New Shares to the registrar of the Company, Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Such exchange will be at the expense of the Company from Thursday, 19 October 2006 to Wednesday, 15 November 2006 (both dates inclusive).

Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange). Certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates of the New Shares at any time, and are valid for trading, settlement and registration on the basis of one Share for one New Share.

The New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

TIMETABLE POST CAPITAL REDUCTION

2006

Commencement of trading in the New Shares	9:30 a.m. on Thursday 19 October
First day for free exchange of certificates for Shares to new Certificates of New Shares	Thursday 19 October
Last day for free exchange of certificates for Shares to new Certificates of New Shares	Wednesday 15 November

By Order of the Board
Lai Sun Development Company Limited
Yeung Kam Hoi
Company Secretary

Hong Kong, 18 October 2006

As at the date hereof, the executive directors of the Company are Mr. Lam Kin Ngok, Peter, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven and Mr. Cheung Wing Sum, Ambrose; the non-executive directors are Mr. Lam Kin Ming and Madam U Po Chu, and the independent non-executive directors are Mr. David Tang, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William.